

Statement of

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Before the

**SUBCOMMITTEE ON COMMUNICATIONS
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION**

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on the

REAUTHORIZATION OF THE FEDERAL COMMUNICATIONS COMMISSION

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to discuss with you reauthorization of the Federal Communications Commission.

To its credit, this Subcommittee has just held a series of FCC oversight hearings and listened carefully to four of the Commission's operating bureau chiefs describe the work of their bureaus and their efforts to carry out the Commission's statutory responsibilities as efficiently and effectively as possible. The FCC and the American people are well served by this Subcommittee's interest in the Commission and the matters before it. I also believe the American people are well served by the Commission's hard-working and dedicated staff, which works tirelessly to serve the public interest.

Today, I hope to add to what the Subcommittee has already learned about the Commission by focusing with you on three principal subjects which define our mission: (1) universal service, (2) competition and consumer choice, and (3) streamlining the FCC, or to paraphrase Chairman Burns' description at the Cable Services Bureau hearing last week, creating a smarter, leaner Commission for the digital age. I will also update you on our 1998 biennial regulatory review, highlight for you some of our recent accomplishments, and outline what we hope to accomplish during the coming year in each of the FCC's four primary activity areas: authorization of service, policy implementation and rulemaking, enforcement, and public information services.

Faith in Competitive Markets

I begin by sharing with you my view as to where I see the Commission headed and how we get there. The most important virtue the Commission can exhibit at this time is steadiness and faith in both the players and the discipline exerted over them by a competitive market. I believe in the certainty of innovation that will come from the markets.

I view the Commission's role as facilitating innovation. Innovation comes when we believe in the power of free markets to produce affordable services through unfettered competition. This, after all, is the principle that undergirds the landmark Telecommunications Act of 1996.

Simply stated, our goal is to promote competition and consumer choice in all communications markets. As Chairman, my objective is to be able to keep my hands off the regulatory levers for as long as practically possible, to provide certainty so that the forces of the marketplace can act. At the end of the day this, I believe, is the strategy that will realize the vision we all share for a truly competitive and burgeoning telecommunications marketplace in the 21st century.

Universal Service

Universal service has kept our Nation connected for the better part of the twentieth century. I intend to work with Congress to continue fulfilling the promise of universal service, as we enter the twenty-first century.

Maintaining affordable telephone service in rural and high cost areas has been at the heart of universal service for many decades. The challenge of the 1996 Act is to make high cost funding consistent with the new age of competition in telecommunications. Universal service subsidies have to be available to eligible telecommunications carriers willing to provide service in high cost areas if we are to see competition in those areas. At the same time, we have to remove implicit subsidies from interstate access charges that the FCC oversees, as states do likewise with respect to services that fall within their jurisdiction, such as the rates for business services and intrastate toll charges.

These decisions will be difficult. As an end result, federal high cost support will move money from one jurisdiction to another, from the federal jurisdiction to the states, from low cost urban states to high cost rural states. Ultimately, I expect that there will be rural states that believe they have not gotten enough support and urban states that believe they have paid too much. But Congress has clearly set forth the goal of affordable and comparable telecommunications services in all areas, rural as well as urban. We will fully implement Congress's goal.

The first step taken by the Commission, before we committed a dime to schools and libraries, was to move the existing high cost fund out of implicit access charges and into a specific and predictable funding mechanism, as directed by the 1996 Act.

Second, we have listened to the rural carriers that have asked us to maintain existing levels of support for now. Rural carriers will see no change in their support until 2001 at the earliest.

With respect to non-rural carriers, the FCC has been working closely with the states in reforming high cost universal service support. On Monday, we hosted an en banc panel of the FCC and the Federal-State Joint Board on Universal Service. We heard from representatives of states, industry, and consumer advocates who provided us with valuable suggestions and insights.

We have been asked to refer a number of issues back to the Joint Board and I believe we should do so. We will carefully define the issues and the time period in which the Joint Board will have to act. In particular, there is the so-called "75/25" issue. Initially, the Commission decided that it would continue to use interstate services to fund at least 25% of the amount of high cost universal support needed by the states. This decision has been mischaracterized as reducing federal support from 100% to 25%. That is not what happened, and I will not allow federal support for rural America to be reduced.

I believe that it is necessary for the FCC to work closely with the states and with the Joint Board to craft a workable solution to universal service reform. Additional time spent working with the states and the Joint Board will be time well spent.

I have been listening to your concerns and we are taking action to push resolution of these issues. We have a new Chief of the Common Carrier Bureau starting tomorrow and I know she will keep us on track.

I also have spent a lot of time recently thinking about discounts for schools and libraries. Here again we are confronting some serious issues. I have been looking forward to today's hearing as an opportunity to clear the air on these issues, particularly as the volume of the debate has increased in recent days.

From the public and from many in Congress I have heard strong words of support for full funding of the discounts, at the \$2.02 billion amount that was requested during the initial application window by eligible schools and libraries that are trying to keep up with all of the advances in telecommunications.

But I also have been listening to those of you who have voiced concerns, very strenuously in some cases, about certain aspects of the mechanism for providing discounts to schools and libraries. I want to discuss these concerns with you today, because ultimately the FCC must implement the schools and libraries discounts in the manner prescribed by Congress in the Telecommunications Act of 1996.

Some of you have complained that there is one corporation that oversees the schools and libraries discounts, and another to administer the rural health care discount mechanism. I understand the reasons for the separate corporations and I am impressed by the diligence and efficiency that has marked their operations. The Schools and Libraries Corporation (SLC) alone has processed over 30,000 applications, more than 50,000 phone calls, 7,000 e-mails, and 1,200 faxes, all with a staff of just 14 employees. I am convinced that this organization could not have functioned as quickly and efficiently had it been grafted onto a government agency.

But we have heard from many of you that the two corporations should be rolled into one, and so they shall be. As we stated in our May 8 Report to Congress, the FCC has directed the corporations to submit by July 1 a proposal to bring the two corporations together under a single entity. The restructuring will be completed by the end of the year, just as prescribed by the Senate and House Conferees who prepared the report to the recent relevant appropriations legislation.

Some of you complained that the boards of the two corporations established annual salaries of \$200,000 for their respective CEOs. While this is in line with CEO salaries at similar non-profit corporations, we heard your concerns. In accordance with the appropriations conference report, I have proposed to my colleagues that these salaries be reduced and I expect the FCC to adopt that order by the end of this week.

What about the integrity of the process by which the Schools and Libraries Corporation reviews applications and disburses funds? Some of you have raised concerns about these functions. First, the FCC has defined which services are eligible for discounts and which are not. Carpeting is not funded. Computers are not funded. Painting is not funded. FCC staff has been working closely with the staff of the corporation to ensure these guidelines are understood and followed.

In addition, schools and libraries must submit an approved technology plan with their applications and must certify that they have sufficient independent funding to supply the other resources, such as computers, teacher training, maintenance, and electrical connections, that are not eligible for discounts but are necessary to make effective use of the discounted services. We are not attempting to micromanage the manner in which schools set their curricula or otherwise seek to give their students the benefits of these discounts. That is a matter of local concern for local school boards and administrators to handle. But we will not provide funding for services that will not be used.

And because the schools and libraries mechanism provides only for discounts, not free services, all schools and libraries must pay out of pocket for all services they receive, sometimes as much as 80% of the cost. This provides further assurance that the discount mechanism will not be abused.

The Schools and Libraries Corporation has established a program integrity assurance process to verify that discounts are provided only for eligible schools and libraries and only for eligible services. The Corporation is rejecting applications that do not meet the qualifications. And to ensure that all of these safeguards are being followed, I requested that the Schools and Libraries Corporation undergo an independent audit of its procedures that will be completed before any funds are disbursed. That audit is ongoing and SLC has made changes in its procedures to respond to the auditors' suggestions.

I also believe that we must ensure that the most disadvantaged schools and libraries get priority. From the very beginning we factored this concern into the discount matrix, with the highest discounts going to the poorest schools and libraries, as determined by the percentage of students in the district that qualify for the Federal school lunch program. Priority for schools and libraries in the poorest areas has been a hallmark of the schools and libraries discount mechanism since its inception. In addition, I have proposed further modifications to our rules that will give even greater priority to the poorest schools and libraries when demand exceeds the amount we can afford to fund.

What about the size of the fund? Based on public comment submitted in accordance with our rulemaking procedures, the Commission initially set an annual cap of \$2.25 billion for services to eligible schools. During the initial application window, demand for services by schools came in somewhat lower than the cap, at \$2.02 billion. In seeking public comment on the proper funding level, the Commission suggested an even lower figure, \$1.67 billion. This amount would place no upward pressure on long distance rates, given the amount of reductions in other costs that the FCC has ordered.

Some have suggested that demand was inflated because in addition to providing discounts for telecommunications services and Internet access, the Commission also has provided discounts for the internal connections that are needed to get the services to the classrooms. The word "classrooms" appears in the key provisions of section 254, once in section 254(b)(6) and again in section 254(h)(2)(A). The first of these provisions states that one principle of universal service is to ensure that advanced telecommunications are provided to "elementary and secondary schools **and classrooms**." We aren't following the statute if we don't get the services to the classrooms. Likewise, the second provision specifically identifies the classrooms, not just the schools, as being the point where the services are supposed to be received. After all, that's where the kids are.

If we did not support the internal connections that are necessary to get these services to the classrooms it wouldn't hurt many of the schools in affluent neighborhoods. They have demanded relatively little in the way of discounts for internal connections, presumably because they already have internal connections. It is the schools, both public and private, in the poorest areas that account for the lion's share of the requests for internal connections. Almost \$750 million was requested for internal connections by schools located in districts where over half the kids are eligible for the school lunch program. And if we cut off funding to the poor schools for internal connections, then we can cut off a lot of the funding for telecom and Internet service as well, because those services are useless in schools that aren't wired.

To cut out funding for internal connections gives the schools in more affluent areas the real priority and leaves the kids at the poorer schools in the lurch.

How should the carriers recover their contributions to these funding mechanisms? I suggest we just have a schools and libraries line item on every a bill. Less than a dollar per month per line should cover it. It's simple, it's direct, and it's easy to understand.

More generally, I believe that carriers must be very clear with their customers as to the impact of changes in the law and how that affects their rates. The cost of providing long distance continues to decline because of FCC actions, and yet there is confusion among consumers. We hear it from callers to our call center. We hear it from state commissioners. And we hear it from you. I support legislation you have proposed that would require truth-in-billing, and I have proposed a rulemaking addressing these issues.

Competition and Consumer Choice

My vision for telecommunications in the 21st century is a market with multiple competitors and a panoply of choices for consumers. The model I want to support is competition between companies and technologies within markets. Not consolidation and vertical integration. Convergence should mean multiple competitors using various technologies to compete with each other in all markets. Convergence should not mean consolidation of various technologies into one vertically integrated monopoly, thereby depriving the consumer of choice and its benefits of variety, innovation, and low cost.

Most importantly, let's not lose sight of the fact that competition is emerging. We're seeing phone companies retool and redesign their networks to deliver sufficient broadband capability to meet the needs of the digital marketplace. At the same time, cable companies are doing much the same in a race to see which industry can deliver an affordable product to the market. There really was a vision underlying the Telecommunications Act. And we're beginning to see it materialize.

We see growing competition in the hundreds of state-approved interconnection agreements between incumbents and competitive local exchange carriers ("CLECS") entering the local telephone market. As of April 1998, the top 10 CLECS had switches in 132 cities spanning 33 states and the District of Columbia. Approximately 2400 interconnection agreements had been created under the 1996 Act's framework. And over the past two years, \$14 billion has been invested in CLECS, and their combined market capitalization has risen to over \$20 billion.

We also see competition for high volume customers. Twenty percent of the local business market is being served by carriers other than the incumbent Bell Company. We see competition in the investment going into cable modems and the restructuring of the high speed data segment of the cable industry. We see growing competition in the increasing interest on the part of the wireline industry in Digital Subscriber Line technologies, which allow you to get expanded capacity similar to fiber from a copper loop. We see it in the fixed wireless service providers, which have begun to offer service that competes with traditional wired service. And we see it in the hundreds of satellites being put up for narrowband access and also for nationwide, even worldwide broadband wireless data access.

The country is seeing many other benefits of the 1996 Act. For example, wireless telephone prices are dropping rapidly and the number of subscribers now tops 50 million nationwide. In the nine months from April to December 1997, prices for cellular and PCS services dropped over 12% for low volume customers and over 31% for high volume customers. In fact, the Wall Street Journal reported on March 3, 1998 that Bell Atlantic's recent decision to reduce by 15% its rates for digital wireless phone service may well spark a "price war" among cell phone service providers. Long distance rates, meanwhile, fell approximately 6% between January 1996 and February 1998.

This is measurable progress. Of course, we have much further to go to reap the full benefits of the 1996 Act. In particular, too few residential consumers yet have the opportunity to choose among competing providers of local exchange services. There are some promising prospects as cable companies and companies affiliated with utility companies begin to provide residential, local telephone service, but competition has yet to blossom in the residential market.

Section 271 Applications

The Commission will continue to carry out the Act's pro-competitive mandate, which includes implementation of Sections 251, 253, and 254, as well as our review of Bell company applications for entry into in-region interLATA services filed pursuant to Section 271. Our on-

going dialogue with the BOCs and other interested parties is intended to expedite the opening of local markets and BOC entry into long distance. But the Commission cannot waive the statutory prerequisites contained in Section 271, including the competitive checklist and the public interest requirement. For if a BOC is permitted to offer long distance service before it has opened its local market to competition, then merger and consolidation will be the only avenues into the local market available to the long distance carriers and other potential competitors.

As I've discussed with the Chairman and other Members of this Subcommittee, the Section 271 process is self-refining. Where the opening applications involved thousands of pages of submissions and thousands of hours of evaluation, I believe the process will continue to evolve to a point where successful applicants, well aware of how compliance with the Act's market opening checklist can best be achieved, will submit applications noteworthy for their brevity and their grantability. We look forward to that day.

We also expect later this year to issue a Notice of Inquiry pursuant to Section 706 of the 1996 Act concerning the availability of advanced telecommunications capabilities, to commence a proceeding to identify and reduce or eliminate market entry barriers, and to conclude a proceeding on broadcast spectrum flexibility.

A Smarter, Leaner Commission for the Digital Age

In a fully realized competitive future, I also see a changed FCC. The Commission can be smarter and leaner. Where we can be smaller, we should be, but we should not reduce size if it means undermining enforcement of rules necessary to protect competition, consumers, and the public interest.

As competition begins to develop, we can eliminate rules that become unnecessary. But the FCC must still referee the competitive marketplace. I would remind you that consumer protection, which takes priority in a competitive marketplace, requires a commitment of resources.

Let me describe briefly for you some ways we have streamlined the agency in recent months, and describe some ideas we have for how to work more efficiently in the future.

- Competition Division

We recently abolished the Competition Division in the Office of General Counsel and moved its functions to other parts of the agency. This does not reflect a diminished commitment to competition, but simply a means to better utilize limited resources.

- Office of Administrative Law Judges

Two of our five ALJs recently retired. We are not backfilling those positions, thereby reducing the number by 40 percent.

- National Call Center

In the reorganization of the Field Operations Bureau that led to the Compliance and Information Bureau, we consolidated the public information services functions of the Bureau into the National Call Center in Gettysburg, PA. Currently, there are 45 employees in the NCC, which since it began operation in June 1996 has responded to more than 717,000 telephone inquiries on FCC actions, policies, and related issues. Establishment of the NCC has already saved the FCC approximately \$3 million dollars per fiscal year in salary and benefits costs and allowed for the reallocation of 40 FTEs to other critical work assignments.

- Public Information Services Bureau

Public Information Services is one of our four budget activities. The Public Information Services activity covers the publication and dissemination of Commission decisions and actions, and related activities; public reference and library services; the duplication and dissemination of Commission records and databases; the receipt and disposition of fact sheets, complaint information and other information related to the rights of a consumer vis-a-vis communications services.

The public information service function is performed to some extent in a number of the bureaus and offices. The largest group of employees performing this function is in the National Call Center. The next largest group is in the Office of Public Affairs, which has 49 employees who staff the reference room and library, answer phone calls and respond to Internet inquiries from the public.

The Commission is studying whether efficiencies can be gained by consolidating this function into one bureau or office.

- Enforcement Bureau

A deregulated marketplace requires enhanced enforcement. The Enforcement activity covers the enforcement of the Commission's rules and regulations, including investigations, inspections, compliance monitoring and sanctions. Enforcement includes

the receipt and disposition of formal and informal complaints regarding common carrier rates and services, the review and acceptance/rejection of carrier tariffs, the review, prescription and audit of carrier accounting practices, the review and enforcement of children's television, the receipt and disposition of cable rate complaints, and the other public interest obligations of communications providers.

The enforcement function is performed in almost all of the Bureaus. The Commission is studying whether efficiencies can be gained by consolidating this function into one bureau.

We Need the Right Tools

We cannot create a leaner Commission by ourselves. We need Congress to give us the full range of tools necessary to reshape the Commission and its staff. One such tool is buyout authority. We need authority to buyout 100 permanent employees, and to replace them with term appointments to handle our changing workload demands.

We also need the authority to carryover \$5.1 million in Regulatory Fees (\$1.7 from FY95/96; \$3.4 from FY97). The Senate has approved our using the funds; we are waiting to hear from the House. The money will be used for electronic filing, electronic licensing and public access initiatives; especially mission critical systems with Year 2000 implications.

We also need legislation to ensure that the goals of Section 309(j) of the Communications Act are met, and that our auctions/licensing process is not completely undermined by the bankruptcy courts. Congress undoubtedly never intended to allow licensees to use the bankruptcy courts as a haven to hoard valuable FCC licenses. Therefore, to assist the Commission in rapidly reassigning spectrum licenses to parties that will put them to the most efficient use, I strongly urge Congress to adopt legislation that would clarify that provisions of the bankruptcy code (1) are not applicable to any FCC license for which a payment obligation is owed; (2) do not relieve any licensee from payment obligations; and (3) do not affect the Commission's authority to revoke, cancel, transfer or assign such licenses. Congress should clarify that bankruptcy must not be used to hold auctioned licenses captive.

Finally, we need resources to complete the job of automating the Commission's licensing processes and to implement electronic filing. In FY 1999, we will complete the deployment of electronic filing capabilities for five of our largest licensing and registration systems in the Cable Services, International, Mass Media, and Wireless Telecommunications Bureaus, and in the Office of Engineering and Technology. We will also enable the public to file electronically with us pleadings, comments and *ex parte* filings in informal rulemaking proceedings. The FCC's experience to date with the new Universal Licensing System for its wireless radio services demonstrates the benefits to both the Commission and industry from automation and electronic filing. We cannot move the Commission into the electronic age and realized all the benefits that result absent the necessary resources, which I am asking you to support.

The 1998 Biennial Regulatory Review

In still other ways, the FCC will continue to move forward on the streamlining, deregulation and reorganization that have been central to our operations in recent years. For example, the FCC has begun a comprehensive "biennial review" of many of its existing regulations, including telecommunications and broadcast ownership regulations, as directed by the 1996 Act. Section 11 of the Communications Act, as amended by the Telecommunications Act, requires the FCC, in every even-numbered year, to review all of its regulations applicable to providers of telecommunications services to determine whether they have become unnecessary to advance the public interest as the result of meaningful economic competition between providers of the services and whether such regulations should therefore be repealed or modified. Section 204(h) of the Telecommunications Act also requires the Commission to review its broadcast ownership rules biennially as part of the review conducted pursuant to Section 11. The Commission, however, determined that this first biennial regulatory review presented an excellent opportunity for a serious top-to-bottom examination of the Commission's regulations, not just those required to be reviewed under the statute.

Thus, on February 5, 1998, Commission staff released a list of 31 proceedings it proposed to be initiated as part of the 1998 biennial review. The proposed proceedings are aimed at eliminating or modifying regulations that are overly burdensome or no longer in the public interest. The list, which is attached to my testimony, was compiled following a broad, comprehensive internal review of all existing FCC regulations and informal input from the industry and the public through, for example, public forums at the Commission with the practice groups of the Federal Communications Bar Association. The Commission will continue to solicit public input as the process continues.

The list includes a review of all broadcast ownership rules that are not already the subject of a pending Commission proceeding and a wide array of common carrier rules, such as the Part 32 uniform system of accounts rules, Part 41 telegraph and telephone franks (or free service) rules, Part 43 reporting rules, Part 61 price cap rules, Part 62 interlocking directorate rules, Part 63 international certificate rules, Part 64 customer premises equipment bundling rules, and Part 68 equipment rules.

We have outlined here a very ambitious agenda for the Commission that should result in a substantial amount of further deregulation and streamlining. This project is very important to me. My support for it stems from my 10 years of experience as a communications lawyer in private practice where I gained a keen understanding of the impact of regulation on the marketplace and in particular the costs of regulation. I thus believe it is essential that the FCC look carefully at its rules and internal organization and procedures to ensure that its rules and operations are as streamlined as possible. We must do so to eliminate unnecessary burdens on the industries we regulate and to make sure that the Commission is operating as effectively and efficiently as possible. I am therefore pleased that the Commission is in a position to ensure that its first biennial regulatory review will, consistent with congressional mandate, produce concrete results in many areas of the Commission's operations.

Indeed, numerous biennial review proceedings have now been initiated by the

Commission. For example, we have begun proceedings to consider eliminating certain interconnection plans that the Bell Operating Companies file under our Computer III rules, streamlining filing requirements for wireless common carriers and other wireless licensees, reviewing our broadcast ownership rules, and streamlining and simplifying the broadcast licensing process and deregulating radio frequency lighting requirements. Several other biennial review proceedings, including several involving common carrier rules, are pending before the Commission on circulation and will be acted upon in the weeks to come.

In addition to the biennial review, I have also established a staff team to review FCC functions that can be eliminated or performed by private parties. This will be a top-to-bottom review of all functions performed by the staff and will likely lead to both rule changes and proposed legislation. Such a review is essential at a time when the Commission's workload continues to grow but its staffing levels do not.

The Commission is also examining the staffing levels of all its bureaus and offices, and is adjusting staffing levels through reassignments and attrition. This staffing review is critical as the demands on the FCC change due to new legislative mandates, changes in our regulated industries, and workload changes resulting from electronic filing.

Legislative Proposals

The Commission is looking for additional ways that the Communications Act might be amended to permit further deregulation and streamlining. For example, expanding our authority to forbear from regulation; authorizing the FCC to use staff buyouts to downsize and reshape the Commission's personnel mix; and increasing the Commission's authority to license use of the spectrum by rule rather than by individual application -- each would enable us to deregulate and streamline.

Some additional ideas the Subcommittee might consider include eliminating the comparative renewal process for services such as cellular and personal communications service so they are not subject to a more stringent regulatory process than broadcasters, and allowing the Commission to dispense with the requirement of prior approval for pro forma transfer of control and assignments of radio licenses where the Commission finds that it serves the public interest.

I have directed our staff to prepare a package of legislative proposals to deregulate and streamline, as well as to enhance competition, strengthen enforcement, and promote consumer choice. I look forward to sharing these proposals with you, and to working with the Subcommittee on their implementation.

1998 Agenda

For the rest of this year, our agenda will be dominated by our efforts to implement the 1996 Act's "pro-competitive, deregulatory national policy framework," to bring greater competition to all communications markets, and to ensure that universal service and other public interest provisions of the Act are fully implemented in a manner that, consistent with

congressional intent, yield the best results for the American people. At the top of my priorities will be the effort to deliver affordable choice in telecommunications, especially local telecommunications, to the American people. We must especially strive to see that choice among local telephone providers becomes a reality for more residential subscribers.

We will continue to seek ways to increase competition with cable television, and to assess the nature and causes of cable programming cost increases. Competition gives consumers access to the most desirable services at reasonable rates. Until that competition develops, we will seek explanations for recent rate actions. That is why I ordered our Cable Services Bureau to seek more information on the sources of recent cable rate increases. On May 15, 1998, the Bureau distributed a voluntary inquiry to the six largest cable companies to learn why programming costs have risen and to learn more about revenues from advertising, commissions and launch fees that cable operators earn from sources other than subscriber charges. The results of this inquiry will lend insight into the increases that cable operators have taken recently and should assist the Congress in its review of cable matters.

We must also finish the implementation of digital television (DTV). This includes the establishment of not just the service rules and allotment plans, but also must-carry rules, public interest obligations, and fees for ancillary and supplemental services.

We will also continue to work closely with our Local and State Government Advisory Committee to address Federal-state-local issues such as preemption, placement of transmission towers for wireless and DTV services, public rights-of-way, and removal of state and local governmental barriers to telecommunications market entry. Recently, we announced the creation of a DTV tower strike force, chaired by Commissioner Ness, to target potential problems in the implementation of digital TV and to work with local authorities and broadcasters to expedite implementation of DTV.

We must also continue to streamline our licensing procedures and to act as expeditiously as possible to ensure that innovative new technologies using satellites can enter the marketplace quickly. For example, the first wave of new global satellite systems capable of providing high speed voice, video and data on-demand are scheduled to start providing service this fall.

Along with its appetite for ever-increasing computing power, our nation will have an ever more voracious appetite for data transmission capacity or "bandwidth." The key to satisfying this appetite will be to create real opportunities for companies to compete to deliver high bandwidth services over the "last mile" to consumers. Competition in our backbone networks today is driving backbone providers to keep increasing the capacity and speed of the backbones. We need to bring that competitive drive to expand capacity and improve service to the final links to consumers.

Finally, throughout all of our proceedings, we must seek to ensure that our booming communications markets are creating opportunities for participation for all Americans. We must move forward to ensure that we are providing opportunities for employment, access and ownership, especially for those who remain underrepresented in the ownership and employment

ranks of communications businesses-- minorities, women and the disabled. The communications and information industries represent the fastest growing sectors of our economy -- over \$800 billion last year. We should seek to create and expand opportunities in every sector of the communications marketplace and do all we can to make sure that no one is left behind.

With regard to the disability community, for example, last August, the Commission adopted rules to increase the amount of closed captioned video programming available to the 22 million Americans with hearing disabilities, regardless of whether they receive their television signals from cable, DBS, wireless cable or through over-the-air broadcasting. This is a vitally important step in making sure that persons with disabilities get access. In April, we also initiated a rulemaking proceeding under Section 255 of the Communications Act to facilitate access to telecommunications equipment by persons with disabilities.

Recent Accomplishments

Indeed, I am proud of what we have already accomplished in my first seven months as Chairman of the FCC. Here are some highlights of our accomplishments:

- o In November 1997, at my first meeting as FCC Chairman, the Commission revised its rules for foreign entry in light of the World Trade Organization Agreement on Basic Telecommunications Services, which took effect last month. We did so by adopting companion telecommunications and satellite entry orders liberalizing entry into the U.S. market for foreign-licensed service providers while retaining competitive safeguards. Implementation of the WTO Agreement will fundamentally alter the competitive landscape of the global market in telecommunications services, providing vast opportunities for American industry. Increased competition in the international market will also hasten the decline in international calling rates. In November, we also proposed rules to implement the Commission's new authority to auction certain mutually exclusive broadcast licenses; streamlined the process for reviewing and resolving formal complaints against telecommunications carriers; and adopted policies that permit non-U.S. licensed satellites to provide services in the United States.

- o In December 1997, we adopted a Notice of Proposed Rulemaking (NPRM) to strengthen our program access rules in order to boost competition with cable in the multichannel video marketplace; we approved an order to ensure that 911 emergency calls will work nationwide on all cellular telephones; we conducted the first in a series of special en banc presentations, this one on the status of competition in the multichannel video marketplace; we launched a proceeding to determine the appropriate methodology for assessing fees for ancillary and supplemental services provided by digital broadcasters in implementation of the Communications Act; and we announced our first ever "biennial review" of the FCC's rules and regulations in a common sense, comprehensive fashion.

- o In January 1998, we released our fourth "Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming," as required by Section 628(g) of the Communications Act. A major finding of the report was that cable still controls approximately 87 per cent of the multichannel video marketplace. I directed our Cable Services

Bureau to undertake a review of our cable rate regulations and an investigation of the nature and causes of rising cable rates and programming costs. We released our annual survey report on cable industry prices pursuant to Section 623(k) of the Communications Act. We also adopted price disclosure requirements for away-from-home public telephone calls to help end price gouging by operator service providers.

- o In February 1998, we adopted an NPRM to help us implement our new Universal Licensing System for wireless radio services. This initiative will automate our licensing and application functions for these services with state of the art technology. We are consolidating and streamlining our current 11 wireless databases into one unified, integrated system, and reducing or eliminating many of our existing rules. We also adopted final rules, policies and channel assignments for the new video age of DTV; adopted an order to further the privacy rights of telecommunications customers; and proposed to simplify and consolidate our service rules governing the Direct Broadcast Satellite (DBS) service as well as sought comment on whether we should impose alien ownership restrictions on the DBS service, and possible DBS-cable cross-ownership restrictions.

- o In March 1998, we approved the revised voluntary industry system for rating TV video programming and adopted technical rules to implement the accompanying "V-chip" program blocking technology. These actions will help put these important tools in the hands of American parents. We also adopted a Notice of Inquiry to examine all of our major broadcast ownership rules as part of our "biennial review."

- o In April 1998, we proposed rules to promote access to telecommunications services and equipment for persons with disabilities. This implemented Section 255 of the Telecommunications Act of 1996, the most significant governmental action for people with disabilities since passage of the Americans with Disabilities Act of 1990. In April, we also proposed or adopted rules to streamline the broadcast application and licensing process, to simplify and streamline the equipment authorization process, and to allow the public to file rulemaking comments and other pleadings electronically on the Internet in many FCC rulemaking proceedings.

- o In May 1998, we proposed ways to enhance the quality of existing telecommunications relay service, and expand such service for the 2.5 million Americans with speech disabilities, proposed to streamline the equipment approval process for devices that emit radio frequency energy and for terminal equipment that may be attached to the telephone network, and adopted the "Third Annual Commercial Mobile Radio Service Competition Report" to Congress.

Plans for the Coming Fiscal Year

Turning to our future plans and policies, here are some examples of what we hope to accomplish during the coming fiscal year in each of the FCC's four primary activity areas: 1) authorization of service; 2) policy implementation and rulemaking; 3) enforcement; and 4) public information services.

Authorization of Service: We will continue to promote efficient and innovative licensing and authorization of services by meeting established Speed of Disposal goals and by using auctions whenever feasible to license or authorize telecommunications services quickly and efficiently, including the auctioning of mutually exclusive broadcast licenses pursuant to the Balanced Budget Act of 1997. We also intend to process applications to construct digital TV stations which conform to their original allotment sites within five days of receipt. In addition, we anticipate a significant number of applications under Section 271 of the Communications Act from Bell Operating Companies seeking authority to provide in-region long distance service, each of which must be resolved within 90 days. Finally, we will simplify and streamline the entire broadcast licensing process by reducing filing burdens, simplifying application forms, and re-engineering and integrating 13 Mass Media Bureau licensing and authorization of service databases.

Policy Implementation and Rulemaking: We will encourage competition in the telecommunications industry through pro-competitive, deregulatory rulemakings that reduce consumer costs and increase the telecommunications choices available to consumers. For example, we must continue to implement the local competition provisions of the Communications Act, review, revise, and eliminate rules to reflect changing marketplace conditions, including forbearing from rules that competition makes unnecessary to protect the public interest, and review requests for preemption of state and local laws or actions that create barriers to offering any telecommunications service.

We will continue to implement the World Trade Organization Basic Services Agreement. This Agreement will allow carriers from WTO-member nations to apply for authorization to provide competitive telecommunications services to United States customers and will open doors to United States carriers seeking to offer telecommunications in overseas markets. We will also seek to ensure that public safety groups have adequate spectrum and advanced telecommunications equipment by completing the development of operational, technical and spectrum requirements for meeting Federal, State and local public safety agency communications requirements through the year 2010. We will continue to explore all means of promoting competition in the marketplace for multichannel video programming.

Enforcement: The importance of the enforcement of the Commission's rules has increased in an era of deregulation and increased competition. Common carrier oversight, for example, is required to ensure that consumer abuses such as the unauthorized transfer of long distance carriers, also known as "slamming", are curtailed. We are also examining ways to strengthen enforcement of our cable program access rules so that new market entrants can more readily and fairly obtain access to the programming they need to become viable competitors to incumbent multichannel video programming distributors. Moreover, increased use of the radio spectrum and the marketing of new electronic equipment have greatly increased potential interference problems. There has also been an increase in unauthorized "pirate" radio stations. In the last eight months, the Commission has been successful in shutting down over 200 "pirate" radio stations. We have also just completed a state-by-state inventory of remaining "pirate" stations and there are approximately only 100 such stations remaining on the air. We intend to take action regarding these stations as soon as possible.

Overall, it is important for the Commission to adopt a new paradigm for enforcement that relies more on companies to certify that they are in compliance with our regulations, but with increased enforcement for non-compliance. Swift, predictable, and sufficient enforcement is critical as we move toward competition.

We also intend to strengthen our enforcement program by using the latest technical and engineering techniques to improve interference and consumer complaint resolution, by partnering with the private sector and with other governmental units to resolve shared telecommunications issues, and by using industry and customer feedback to determine effective levels of enforcement and appropriate enforcement policies and procedures.

Public Information Services: Our goal in this area will be to provide information services to our customers in the most useful formats available and in the most timely, accurate and courteous manner possible. We will accomplish this goal in a variety of ways: through attaining true nationwide coverage at our National Call Center (NCC), by providing "one stop" information shopping to our customers through the consolidation of our nine public reference rooms into one, if and when we move to the Portals, by enhancing consumer outreach efforts, and by enlarging our databases to be more inclusive and reflective of the nation's population, including those still without routine access to the Internet.

In FY 1999, we hope to complete the final phase of the NCC project which provides information on every aspect of the FCC through a toll-free number that can be accessed by anyone within the United States dialing 1-888-CALL FCC (225-5322), or by TTY at 1-888-TELL FCC (835-5322).

The NCC, along with the FCC's Internet Website, www.fcc.gov, and the FCC's Office of Public Affairs, Public Service Division, form the backbone of the FCC's educational and information outreach programs. During the first five months of 1998, the FCC's Home Page received an average of 240,000 hits per day, up from an average of 138,000 hits per day during the same period in 1997. During the first five months of this year, the Public Service Division received 17,013 e-mail requests for information, up from 7,782 requests received last year by this time. This year to date we have already received 4,070 letters from Congress, a 4% increase over the same period last year.

I would also like to share with you a few illustrative examples of the workload pending before five of the FCC's operating bureaus as we carry out our continuing statutory mandate:

Cable Services Bureau. The Cable Services Bureau is responsible for more than rate regulation. For example, the Bureau plays a critical role in advancing competition in the video industry by, for example, ensuring access to video programming by competitors of incumbent cable operators. It also plays an important role in advancing telecommunications competition by, for example, ensuring access by new telecommunications providers to utility poles and infrastructure on reasonable terms. Next week the Bureau will present to the Commission recommended rules for making available to the public digital set-top boxes with integrated

security devices, as required by the Telecommunications Act. The Bureau is also preparing recommendations for the Commission's upcoming proceeding to examine rules and policies for must-carry in a digital era.

With respect to its other statutory responsibilities, as of this Spring the Bureau's Consumer Protection and Competition Division had 583 matters pending before the division, including petitions, complaints, and rulemakings. These matters are overwhelmingly filed by private parties or local governments. Among these petitions and complaints, for example, are approximately 80 mandatory signal carriage or "must-carry" cases, 73 requests to modify "areas of dominant influence" to receive different television programming, and over 260 rate regulation appeals. The Financial Analysis and Compliance Division of the Bureau, meanwhile, had approximately 750 rate complaints pending.

Common Carrier Bureau. The Common Carrier Bureau expects to make policy recommendations to the Commission on over 60 major, Commission-level proceedings in the second quarter of 1998 alone. This figure does not include any number of Bureau-level proceedings that the Bureau will complete during the same three month period. One telecommunications area in particular that has exploded as a result of both more competition and deregulation has been informal complaints and inquiries. In 1995, for example, the Enforcement Division of the Common Carrier received 25,482 complaints and inquiries about various telephone consumer abuses and concerns such as "slamming" and disputed billing charges. In 1997, the number of such complaints nearly doubled to over 44,000.

International Bureau. The International Bureau plans to present to the Commission 18 items between June 1 and September 30, 1998. Two major growth areas for the Bureau include satellite space station applications and Section 214 applications. The number of applications received for satellite space stations increased from 164 in FY 1996 to 195 in FY 1997 (a 19% increase). The number of Section 214 applications increased from 564 in FY 1995 to 637 in FY 1996 (a 13% increase). In FY 1997, the number of Section 214 applications received increased 17% to 745.

In addition to the increase in the number of applications over the years, there is more complexity involved in processing International Bureau applications. Service providers are developing innovative services, requiring significantly more bandwidth, and at the same time seeking to co-exist with established services while sometimes also requiring global coordination.

These new services additionally require the Bureau to initiate licensing rounds, develop service rules and, in most instances, coordinate with other domestic users of the spectrum. Just getting one new service off the ground is extremely time and labor intensive as it invariably raises new legal issues and poses technical challenges. The Bureau currently has four new services -- 2 GHz, 28 GHz, 40 GHz and the Skybridge FSS LEO system -- for which proceedings must be initiated and completed prior to commercial satellite use of the spectrum. Finally, the International Bureau also must develop methods for implementing the recent commitments made to open the United States market to foreign satellite systems.

Mass Media Bureau. In the Mass Media Bureau, the elimination of radio ownership

limits by the Telecommunications Act dramatically increased the volume of radio sales applications. For example, in 1995, we received 2300 such applications. In 1996 the number increased to 3700. In 1997, it was more than 4100. During the first five months of 1998, radio sales applications have continued to come to the FCC at a higher rate than even in 1997. In another mass media area, political programming regulation, because this is a mid-term election year, during the next six months we expect to receive approximately 1000 phone calls a month from broadcasters, political candidates and their media buyers.

Wireless Telecommunications Bureau. Finally, the Wireless Telecommunications Bureau intends to bring to the Commission for its decision approximately 36 items by the end of September. The Bureau also plans to conduct six auctions during the rest of 1998, assuming the Commission completes the pending policy and rulemaking items. As of May 29, 1998, the Wireless Bureau has pending 372 informal complaints and 22 formal ones. The scope of the Bureau's "Universal Licensing System" noted above is also worth discussing in more detail. The "ULS" is a complete change and redesign of the Wireless Bureau's entire licensing theory and process. It will directly affect literally millions of wireless licensees, applicants, and the public who need access to our wireless data. Under the ULS: 41 forms will be collapsed into 5; 800,000 person hours annually will be saved by licensees due to electronic filing of applications; 11 databases will be reduced into one, affecting over 2 million licensees; on line data access and computer mapping of service areas will be available to the public from anywhere in the world; and perhaps most significantly, the FCC will be able to delete over 200 wireless regulations from the Code of Federal Regulations.

Conclusion

I appreciate greatly the Subcommittee's interest in the Commission and matters the pending before it. Thank you for this opportunity to testify today. I would be pleased to answer any questions.